

Supreme Court of the United States

OCTOBER TERM, 1952

No. 42

F. W. WOOLWORTH CO.,

Petitioner,

against

CONTEMPORARY ARTS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF
APPEALS FOR THE FIRST CIRCUIT.

BRIEF FOR PETITIONER

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Opinions Below

The opinion of the United States Court of Appeals for the First Circuit (R. 268-80) is officially reported in 193 F. (2d) 162. The memorandum of decision of the United States District Court for the District of Massachusetts (R. 15-25) is officially reported in 93 F. Supp. 739.

Jurisdiction

The jurisdiction of this Court is invoked under Title 28 U. S. Code, Section 1254(1) and Rule 38, Paragraph 5(b) of the Revised Rules of the Supreme Court of the United States.

On June 2, 1952, this Court made an order (R. 281) granting the petition herein for a writ of certiorari to the United States Court of Appeals for the First Circuit "limited to the question presented by the application of Section 101(b) of Title 17 of the United States Code to this case".

The Statute Involved

The statute involved herein is Section 101(b) of Title 17 of the United States Code (formerly Section 25(b)). It is printed herein at pages 11-12.

STATEMENT OF THE CASE

(a) Preliminary Statement

This action was commenced November 1, 1949, by plaintiff, Contemporary Arts, Inc., the respondent here, in the United States District Court for the District of Massachusetts, against F. W. Woolworth Co., the petitioner here, for alleged infringement of copyright (R. 5-7). The copyright allegedly infringed is for a "work of art", entitled "Cocker-spaniel in show position". The work was published March 26, 1942, two copies of it being deposited in the Copyright Office on March 28, 1942 (Pl. Ex. 3; R. 28, 252). Plaintiff sued as the copyright assignee (Pl. Ex. 4; R. 5-6, 28, 253).

The complaint alleged (R. 6) that defendant had infringed plaintiffs' copyright "in said sculpture and work of art" by reproducing and selling copies thereof. Plaintiff demanded, in its complaint, damages and profits or statutory damages of not less than \$250 (R. 6).

Plaintiff, on trial, produced and offered in evidence as the infringed articles and as "embodying the copyright", three dog statuette models, each of which differed from

the other and none of which was identified to be a duplicate of the deposited work upon which a copyright had been obtained (R. 31, 50).

As the Court of Appeals noted (R. 269), one was of buff colored plaster with a spot of black on the muzzle and on each eye, which retailed for \$4.00 (Pl. Ex. 5; R. 31); one, smaller, was of red porcelain, which retailed for \$9.00 (Pl. Ex. 6; R. 31); and one, also smaller, was of black and white porcelain, which retailed for \$15.00 (Pl. Ex. 7; R. 31). These "embodiments" were diverse as to color, size and materials and also, in certain ways, as to shape and aspect (R. 272-3).

The alleged infringing article was a light-brown ceramic statuette of a cocker-spaniel dog in show position (Pl. Ex. 1; Def. Ex. A; R. 28-9), which retailed for \$1.19. This article was purchased by Woolworth early in 1949 from Sabin Manufacturing Co. of McKeesport, Pennsylvania (R. 73-5, 123). Sabin, in turn, had obtained it from Lepere Pottery Company of Zanesville, Ohio (R. 124) which had acquired it (i.e., the dies, molds and a plaster reproduction of it) as part of the stock of Burley Pottery Company of Zanesville, Ohio, after Burley had made and sold the dog statuette in 1938, and had later, during that year, gone out of business (R. 135, 139, 141, 148-9, 154-5, 159; Def. Ex. F; R. 136).

Defendant's primary defense to the infringement claim was that the ceramic statuette of a dog which it had sold was not copied, directly or indirectly, from plaintiff's work copyrighted in 1942, but was, in fact, an exact copy and reproduction of a statuette designed and modeled independently, by a craftsman named Moyer, using his own pet cocker-spaniel English type as a model, in 1938, while he was in the employ of said Burley Pottery Company, which company, in that year, manufactured and sold such statuettes but later went out of business and disposed

of its stock. In support of this defense, Moyer testified to his making of said cocker-spaniel model, as aforesaid, and produced a grey plaster statuette (Def. Ex. F; R. 136), with the year date "1938" embedded in it, which he identified as an early replica of his work and which he said he found, together with the Burley set of dies and molds from which to make it, in the storeroom of the Lepere concern, for whom he had later gone to work.

As the Court of Appeals stated (R. 269), the issue of infringement was "hotly contested".

However, that Court upheld the District Court's finding of infringement, as being supported by ample evidence and as not being clearly erroneous (R. 272-3). It also upheld, as not erroneous (on the theory that defendant had "gambled on a favorable discretionary ruling" by the trial court and having lost, could hardly be heard to complain) the ruling by the trial judge in rejecting the evidence, offered on rebuttal by defendant, of a scientific expert from M.I.T. on materials and plasters to the effect that the plaster model (Def. Ex. F—from which the alleged infringing model was made) was authentic and as old as the 1938 year date imprinted on it which evidence would have shown that the original of defendant's article antedated by four years plaintiff's copyright (R. 273-5, 229-40). The Court of Appeals also overruled defendant's contention that it had not received from the trial judge a fair and impartial trial, though it recognized that the trial judge had made remarks which were "both unseemly and uncalled for" (R. 279-80).

The District Court adjudged plaintiff's copyright to be valid and infringed and awarded plaintiff statutory damages in the maximum amount of \$5,000, as well as \$2,000 as an attorney's fee (R. 14, 25).

The Court of Appeals affirmed that judgment, with an additional attorney's fee of \$500 (R. 280).

The order allowing certiorari (R. 281), limits the review by this Court "to the question presented by the application of Section 104(b) of Title 17 of the United States Code to this case." Accordingly, the factual statement which follows is restricted to the facts bearing on that question.

(b) The material facts bearing on the application of Section 101(b) of Title 17 U.S.C. to this case.

Defendant's profits from its sale of the alleged infringing article, a dog statuette, were proved with exactness. At the commencement of the trial, it was stipulated (R. 26-7) that Woolworth had purchased, as a trial order, from its supplier, Sabin Manufacturing Co. of McKeesport, Pa., 127 dozen (1524) of said dog statuettes which were distributed for sale in 34, only, of its more than 1,900 retail stores; that Woolworth had paid 60¢ for each statuette and had sold them at \$1.19 each, for a gross profit of 59¢ per statuette; and that its total gross profit was \$899.16.

During plaintiff's case, the Woolworth buyer, Lindquist, testified likewise (R. 72-4); and was cross-examined by plaintiff's counsel (R. 74). Later, Sabin testified to the same effect (R. 122-3). It was also proved, without contradiction, that Woolworth had placed with Sabin this single trial order of 127 dozen dog statuettes in January 1949, and that this merchandise had been delivered to Woolworth stores in March, April and May, 1949 (R. 73-4, 123, 132, 26, 255-6). Woolworth did not, after placing said trial order, order or purchase any more of said dog statuettes (R. 74, 123, 255-6). The order was placed and the merchandise was received (and presumably disposed of) by said stores before Woolworth had knowledge of

plaintiff's copyrighted work or of the claimed infringement (R. 74). Plaintiff's notice of infringement, dated May 23, 1949 and addressed to a store, was received by the Woolworth company about June 1, 1949, and Woolworth promptly notified Sabin of it (R. 123, 127-9, 257; Pl. Ex. E). Sabin thereupon automatically discontinued dealing in the article, which, incidentally, had proved a poor seller (R. 123-4).

Woolworth, through Lindquist, had placed said order from a finished sample of said dog statuette exhibited by Sabin (R. 74, 124). Sabin was not the manufacturer, but merely the factory distributor for the manufacturer, Lepere Pottery of Zanesville, Ohio, a small factory with whom he had dealt for some years (R. 123-7).

Plaintiff's counsel conceded that Woolworth had acted innocently in selling the article, stating (R. 76):

"The Woolworth Company is in the innocent position of a bystander. It appears, from what Mr. Lindquist says, he doesn't know there was a copyright on the dog."

There was no proof that Woolworth, Sabin, Lepere, Burley or Moyer ever had seen or had access to plaintiff's copyrighted dog statuette or any copy or reproduction thereof or any of the diverse "embodiments" thereof or that anyone of them had knowledge of plaintiff's copyright prior to said notice.

Not only were defendant's profits proved with mathematical certainty, but plaintiff did not prove any actual damages or make any real effort to do so. Neither did plaintiff make any showing that it was difficult or impossible to prove actual damages. Moreover, no such difficulty or impossibility existed in fact. The subject matter of the alleged infringement—one specific statuette—(unlike a story in a newspaper which is combined with other copyrighted features or a motion picture to which the

infringer contributed his own talents) presented no difficulty as to proof of damage.

Any so-called "difficulty" that plaintiff might have had in proving its alleged actual damages, if any, was of its own choosing (R. 114, 119, 120, 121), followed from unchallenged statements and rulings by the District Court (R. 77, 111, 113-115, 117-119, 120-1) and represented merely the assertions of its counsel (R. 114, 119-21, 183). *Plaintiff did not prove by any evidence* that any such difficulty or impossibility actually existed. It never produced any of its books or records of its business operations, though oral and speculative testimony on the subject was early objected to on that specific ground (R. 115, 182).

When given an opportunity by the District Court to put in evidentiary proofs of actual damages, plaintiff's counsel stated "Our reliance was on statutory damages, your Honor" (R. 182-3, 238); and at this time the District Court advised plaintiff's counsel of the difficulties "unless you show some actual damages" (R. 183). Later, however, during rebuttal, plaintiff's counsel merely made an *offer* of proof of some evidence of actual damages, again without any books or records to support it, which offer he did not follow up, after defendant's counsel indicated the necessity of plaintiff's producing sales records and his exercising the right of cross examination in respect thereof (R. 245-6). Moreover, plaintiff failed to avail itself of the further opportunity, suggested by the Court at the end of the trial, to have a special master appointed to "go into damages" (R. 247). Plaintiff's position throughout was that its reliance was on statutory damages and that it, *on its own election*, had a right to statutory damages in place of and irrespective of actual damages or profits (R. 34, 182-3, 248-9).

Plaintiff did not produce or identify upon the trial the dog statuette which was the basis of the copyright and actually deposited in the Copyright Office or a replica thereof, but only three variant models, each of which was said by its counsel to "embody" the copyright (R. 31, 50). Plaintiff did not prove that it was selling its copyrighted dog statuette at the time Woolworth placed its trial order with Sabin for the alleged infringing statuette. Plaintiff produced no books or records to show that it was dealing in said copyrighted dog statuette, let alone all of said three variant models, during the very brief period of several months in 1949 of the alleged infringement. The whole award for damages and counsel fee is in reality predicated upon a showing that was never made, to wit, that plaintiff had been damaged in its sale of said *copyrighted* work of art.

Also, there was no evidence that the alleged infringing statuette and plaintiff's statuettes were competitive articles or sold in the same market. According to plaintiff, its dog statuettes were distributed through dealers and sold to dog fanciers, kennel shops, dog clubs, dog breeders, trainers and judges and at dog shows and as trophies. They were also sold at high-priced gift shops (R. 111-12, 116, 221). The alleged infringing article was sold in only a few of defendant's low-priced stores, none of which were in New England where plaintiff had its place of business (R. 10). Nor was it shown that defendant's said sales occurred during the same time period as the sales of plaintiff's copyrighted article or of any one or all of the several "embodiments" thereof.

Hereinafter, under Point I (at pages 12-13), are set forth the basis of the District Court's award of maximum statutory damages and the basis of the Court of Appeals.

affirmance thereof, with references to the texts of their respective opinions.

Specification of Assigned Errors to be Urged

1. It was error for the Court of Appeals for the First Circuit, on an appeal in a copyright infringement suit, to uphold the District Court's award to plaintiff of maximum statutory damages in lieu of plaintiff's actual damages and defendant's profits, where plaintiff neither proved actual damages nor difficulty or impossibility of proving such actual damages and where defendant's profits were proved with mathematical certainty.

2. It was error for the Court of Appeals for the First Circuit, to allow, on appeal, by a unique method of computation of damages without statutory or judicial sanction in a copyright infringement suit, an award of statutory damages in an arbitrary amount, in addition to the precise amount of defendant's gross profits, in order to maintain the exact amount of the District Court's award of maximum statutory damages.

3. The award of statutory damages, under the circumstances of this case, was erroneous in that it amounted to the imposition of a penalty.

4. The decision of the Court of Appeals for the First Circuit, in its interpretation and application of Section 101(b) of the Copyright Act, particularly the "in lieu" clause thereof, is erroneous in that it is in conflict with the decisions of this Court and with the decisions of the Courts of Appeals of other Circuits.

Summary of Argument

The decisions below have construed and applied the "in lieu" clause of Section 101(b) of the Copyright Act in conflict with decisions of this Court and with decisions of Courts of Appeals of other Circuits. No basis for a discretionary award of statutory damages existed in this case because there was exact and undisputed proof of defendant's profits from the alleged infringing articles, no proof of actual damages to plaintiff, and no showing that it was difficult or impossible to prove such damages.

Under the circumstances of this case, the District Court's award of maximum statutory damages, instead of the ascertained amount of defendant's profits, amounted to the imposition of a penalty. The Court of Appeals' having held clearly erroneous the District Court's finding that profits could not be determined with legal certainty, it had no legal basis for affirming the District Court's gross award of \$5,000 statutory damages. The Court of Appeals should have modified the judgment below by limiting the award to the amount of defendant's profits, as proved.

Where either actual damages or profits are proved, there is no basis for an award of statutory damages under Section 101(b) of the Copyright Act. In no event, may a Court award, as did the Court of Appeals, both statutory damages and profits.

ARGUMENT

POINT I

The decisions below have construed and applied the "in lieu" clause of §101(b) of the Copyright Act in conflict with decisions of this Court and with decisions of Courts of Appeals of other Circuits.

Where, as here, there was mathematically certain and undisputed proof of defendant's profits from the alleged infringing articles and no proof of actual damages, no basis for a discretionary award of statutory damages existed.

The award by the District Court of \$5,000 damages was based on the Copyright Act, Title 17, U. S. Code, Sec. 101 (formerly Sec. 25(b)), which permits an award of statutory damages "in lieu of actual damages and profits". The statute, so far as applicable, provides:

"§101. Infringement

"If any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable:

• • • • •

"(b) **Damages and profits; amount; other remedies.** To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only, and the defendant shall be required to prove every element of cost which he claims, or in lieu of actual damages and profits, such damages as to the Court shall appear to be just, and in assessing such damages the court may, in its discretion, allow the amounts as hereinafter stated, * * * and such damages shall in no other case exceed the sum of \$5,000

nor be less than the sum of \$250, and shall not be regarded as a penalty. But the foregoing exceptions shall not deprive the copyright proprietor of any other remedy given him under the law, nor shall the limitation as to the amount of recovery apply to infringements occurring after the actual notice to a defendant, either by service of process in a suit or other written notice served upon him.

"First. In the case of a painting, statue or sculpture, \$10 for every infringing copy made or sold or found in the possession of the infringer or his agents or employees; * * *"

In making its award, the District Court found:

"It is difficult, if not impossible, for the plaintiff to prove its actual damages and defendant's profits, with the certainty required by the law for the recovery of actual damages and profits. (R. 24)

* * * * *

"Pursuant to S 101 of the Copyright Act, and 'in lieu of actual damages and profits' the Court in its discretion awards the plaintiff statutory damages in the amount of \$5,000, at the rate of \$10 per infringing copy for the first 500 infringing copies." (R. 25)

Actually, there was precise, mathematical and undisputed evidence of defendant's profits from its sale of the alleged infringing article. Under the statute, in order to prove such profits, plaintiff was required only to prove sales and this was done. The facts as to such sales, which resulted in a total gross profit to defendant of \$899.16, are stated above and were found by both Courts below (R. 16, 24, 269, 279).

In view of such undisputed facts, the Court of Appeals found (R. 279):

"It is true that the defendant by showing its gross profits, (fol. 282) which the plaintiff does not

dispute and with which the defendant appears to be content, has made clearly erroneous the district court's finding that profits cannot be determined with legal certainty. Thus any assessment of profits under the 'in lieu' clause is precluded."

However, in deciding the remaining question—and the question now before this Court—as to whether when defendant's profits have been ascertained, a court may nevertheless make an award of statutory damages under the "in lieu" clause, the Court of Appeals, in a confusing statement made an unprecedented ruling permitting an award of defendant's actual profits (\$899.16) *plus* statutory damages in the purely arbitrary amount of "\$4,100 and odd cents," thus maintaining the gross statutory damage award of the District Court (R. 279).

The decision of the District Court, as well as the decision of the Court of Appeals affirming it, are in conflict with the decision of this Court in *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, 399 (1940), in which it was held that the "in lieu" clause was not applicable where profits have been proved, and with the rule stated by this Court in *Douglas v. Cunningham*, 294 U. S. 207, 209 (1935), that the statutory damage provision was adopted to afford a copyright owner relief "in a case where the rules of law render difficult or impossible proof of damages or discovery of profits".

In *Sheldon v. Metro-Goldwyn Pictures Corp.*, *supra*, the infringement, which was deliberate, was of plaintiff's play by defendant's motion picture. Defendant's net profits from the motion picture, amounting to \$787,604.27, were proved. There was no proof of actual damages. This Court, in interpreting Section 25(b) of the Copyright Act, stated, at page 399:

"We agree with petitioners that the 'in lieu' clause is not applicable here, as the profits have

been proved and the only question is as to their apportionment."

In the earlier case of *Douglas v. Cunningham, supra*, the alleged infringement consisted of the unauthorized publication of plaintiff's copyrighted story in some 384,000 copies of a Sunday edition of a Boston newspaper. The infringement was found to be clear, but innocent. There was no proof of plaintiff's actual damages or of defendants' profits. The trial judge ruled that no actual damage had been shown and granted plaintiff \$5,000 statutory damages and a counsel fee, but the First Circuit Court of Appeals reassessed the statutory damages in the minimum amount of \$250. This Court reversed the Court of Appeals and stated, at pages 208-9:

"The sole question presented by the petition for certiorari is whether consistently with §25(b) of the Act of 1909, an appellate court may review the action of a trial judge in assessing an amount in lieu of actual damages, where the amount awarded is within the limits imposed by the section."

In answering that question in the negative and in construing the purpose of Section 25(b) of the Copyright Act, this Court stated, at page 209:

"The phraseology of the section was adopted to avoid the strictness of construction incident to a law imposing penalties, and to give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits. In this respect the old law was unsatisfactory."

In two earlier cases this Court had occasion to consider Section 25(b).

In *Jewell-LaSalle Realty Co. v. Buck*, 283 U. S. 202 (1931), where the infringement consisted of an unauthor-

ized performance of a musical composition, there was no showing of actual damages and an award of \$250 minimum statutory damages was upheld. This Court pointed out, at page 206, that:

“* * * the primary purpose of §25 was to incorporate in one section all of the civil remedies theretofore given, including statutory damages *where actual proof was lacking.*” (Italics supplied.)

In *Westermann Co. v. Dispatch Printing Co.*, 249 U. S. 100 (1919), the infringements consisted of publications in a newspaper of copyrighted illustrations of styles and this Court held that an award of \$250 minimum statutory damages in each case was proper. There was no proof of plaintiff's actual damages or of defendant's profits and both parties recognized that, under the proofs, the damages had to be assessed under the “in lieu” clause of the statute.

In none of these cases is there any suggestion that statutory damages may properly be awarded in the discretion of the court where there is proof either of plaintiff's actual damages or of defendant's profits.

The decisions below, also, are contrary to and in direct conflict with the decisions of other United States Courts of Appeals.

The leading case of *Davilla v. Brunswick-Balke Colender Co.*, 2 Cir., 94 Fed. (2d) 567 (1938); cert. den., 304 U. S. 572, is exactly in point on the question here involved; and there the rule is stated to be that proof of profits precludes the recovery of statutory damages and that it is not a matter of choice with the plaintiff whether profits or statutory damages are to be allowed.

In the *Davilla* case, the infringement consisted of unauthorized phonographic records of plaintiff's copyrighted song and there was proof of defendant's profits.

The District Court had confirmed the award by a master of \$5,000 statutory damages and an attorney's fee to plaintiff. The Court of Appeals for the Second Circuit unanimously modified that decision by eliminating the \$5,000 award of statutory damages and in place thereof, awarded profits in the sum of \$1,057.53, with a reduced attorney's fee.

Therein, defendant's profits were proved by a statement, filed by defendant, setting forth the number of records sold, the selling price and the cost of production.

The Second Circuit Court of Appeals stated, at page 568:

"Whether profits shall be awarded or statutory damages allowed is not a matter of choice with a plaintiff. In *Douglas v. Cunningham*, 294 U. S. 207, 209, 55 S. Ct. 365, 366, 79 L. Ed. 862, the court said: 'The phraseology of the section was adopted to avoid the strictness of construction incident to a law imposing penalties, and to give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits.' See *Jewell-LaSalle Realty Co. v. Buck*, 283 U. S. 202, 51 S. Ct. 407, 75 L. Ed. 978; *Hendricks Co. v. Thomas Pub. Co.*, 2 Cir., 245 F. 37."

The Court also stated, at pages 569-70 (italics ours):

"On the issues as framed, we think there was ample evidence to make *an award of damages on the basis of actual profits*, and therefore the master and the court below were in error in granting statutory damages. The master's report is based on the theory that there was an inadequate explanation of appellant's failure to produce certain books, that there was error in the first statement made to appellee as to the number of sales, and therefore appellant probably sold or disposed of more than 5,285 records. Be that as it may, *actual profits*

were sufficiently established before the master so as to preclude the recovery of statutory damages.

Since the amount of the sales was sufficiently proved, there was no basis for an award of statutory damages. Such an award should not be based upon the idea of punishment, but depends upon the absence of proof of actual profits and damages. *Turner & Dahnken v. Crowley*, 9 Cir. 252 F. 749, 754; *Westermann Co. v. Dispatch Printing Co.*, 249 U. S. 100, 39 S. Ct. 194, 63 L. Ed. 499."

In *Sammons v. Colonial Press*, 1 Cir., 126 F. (2d) 341 (1942), the Court of Appeals for the First Circuit unanimously approved and followed the *Davilla* case. Therein, the District Court had awarded plaintiff, as to one defendant, statutory damages in the minimum amount of \$250. On plaintiff's appeal, the Court of Appeals reversed and remanded the case to the District Court for the purpose of ascertaining if that defendant had made any profits, with instructions that the amount of such profits, if any, would be the measure of recovery. The Court of Appeals stated, at page 350:

"No evidence of actual damages having been given, if Colonial Press made no profits for which it is accountable the assessment by the district court under §25(b) of statutory damages against Colonial in the minimum amount of \$250 cannot be reviewed upon appeal. *Douglas v. Cunningham*, 1935, 294 U. S. 207, 210, 55 S. Ct. 365, 79 L. Ed. 862; *Hartfield v. Peterson*, 2 Cir., 1937, 91 F. 2d 998, 1001. However, if the district court finds after further hearing upon remand that Colonial Press made profits for which it must account, the amount of such profits will be the measure of recovery, and it will no longer be permissible to decree statutory damages 'in lieu of actual damages and profits.' *Sheldon v. Metro-Goldwyn Pictures Corp.*, 1940, 309 U. S.

390, 399, 60 S. Ct. 681, 683, 84 L. Ed. 825; *Davilla v. Brunswick-Balke Collender Co. of New York*, 2 Cir., 1938, 94 F. 2d 567, 569. Cf. *Johns & Johns Printing Co. v. Paull-Pioneer Music Corp.*, 8 Cir., 1939, 102 F. 2d 282."

However, in the instant case, that same Court has brushed aside the *Davilla* case simply with the comment that while the language therefrom relied upon by petitioner "seems to lend support to its argument that proof of actual profits precludes the assessment of statutory damages under the 'in lieu' clause," such language was "taken out of context" (R. 276-7). That comment is without basis since, obviously, the *Davilla* case is exactly in point here. Realizing that, respondent's attorney, much more forthrightly than said Court, sought to avoid the *Davilla* case, in his brief herein opposing certiorari, on the ground it was "wrongly decided" (with which we disagree).

In *Universal Pictures Co. v. Harold Lloyd Corp.*, 9 Cir., 162 F. (2d) 354 (1947), the Court of Appeals for the Ninth Circuit has adopted the same rule. Therein on plaintiff's cross appeal, it stated at page 378:

"Award of statutory damages in the terms of the statute is proper only in the absence of proof of actual damages and profits. The court having found the extent of both, the point fails. The court awarded actual damages, holding the award on that basis as adequate without resorting to the use of statutory damages. We find no error in this course."

The rule of the *Sheldon* and *Davilla* cases, cited above, has also been followed in the Court of Appeals for the District of Columbia. In *Washingtonian Pub. Co., Inc. v. Pearson*, D. C. Cir., 140 F. (2d) 465 (1944), that Court stated:

“Since the ‘in lieu’ clause is not intended as a penalty, the court was right in awarding no damages. That clause ‘was adopted * * * to give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits’ (Douglas, et al. *v.* Cunningham, et al., 294 U. S. 207, 209, 55 S. Ct. 365, 366, 79 L. Ed. 862). It is not applicable here, first because there was no ‘injury done’ to appellant (Woodman *v.* Lydiard-Peterson Co., C. C. D. Minn., 193 F. 67; cf. L. A. Westermann Co. *v.* Dispatch Printing Co., 294 U. S. 100, 108, 39 S. Ct. 194, 63 L. Ed. 499) and second because ‘the profits have been proved * * *’ (Sheldon *v.* Metro-Goldwyn Pictures Corp., 309 U. S. 390, 399, 60 S. Ct. 681, 684, 84 L. Ed. 825; Davilla *v.* Brunswick-Balke Collender Co. of New York, 2 Cir., 94 F. (2d) 567).”

A very recent case directly in point arose in a District Court in the Ninth Circuit. In *Malsed v. Marshall Field Co.*, 96 F. Supp. 372 (U.S.D.C., W. D. Wash. N. D., 1951), action was brought for infringement of copyright on a label and plaintiff sought an injunction, damages and profits. In making an award of \$100 profits, the Court said at pages 376-7 (Italics in original):

“The ‘in lieu’ provision is, as the language of the section states specifically, ‘in lieu of actual damages *and* profits.’

“It does not apply where *either* actual damages or profits are ascertainable. This has been the ruling of the courts ever since the section was amended to its present form. The following quotations are typical:

“The phraseology of the section was adopted to avoid the strictness of construction incident to a law imposing penalties, and to give the owner of a copyright some recompense for injury done him, *in a case where the rules of law render dif-*

difficult or impossible proof of damages or discovery of profits. In this respect the old law was unsatisfactory.' *Douglas v. Cunningham*, 1935, 294 U. S. 207, 209, 55 S. Ct. 365, 366, 79 L. Ed. 862. (Emphasis added.)

"The plaintiff seems to suppose that, regardless of any loss, it may satisfy its spleen by treating the allowances as penalties; but the section expressly declares that they are not to be regarded as such. They are "in lieu of actual damages and profits," and are limited to "such damages as to the court shall appear to be just," though it is true that the court may use them without proof of the quantum of the loss. The minimum was all that was proper, when we can see, as we can, that the plaintiff has not been damaged." (*Russell & Stoll Co. v. Oceanic Electrical Supply Co.*, 2 Cir., 1936, 80 F. 2d 864, 865.)"

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"The 'In Lieu' Provision Does Not Apply.

"The plaintiff takes the view that, because the recovery of both profits and damages are allowable, the 'in lieu' provision is effective in case one or the other element of recovery is difficult of ascertainment. The weakness of this argument is that it overlooks the very wording of the section which is to the effect that in order that the 'in lieu' provision be resorted to, there must be difficulty or impossibility of computing *both* damages and profits. Or, differently put, if profits ~~are~~ ascertainable, the minimum provided in the 'in lieu' provision *need not* be resorted to. The Supreme Court in *Sheldon v. Metro-Goldwyn Corp.*, 1940, 309 U. S. 390, 399, 60 S. Ct. 681, 684, 84 L. Ed. 825, has said so specifically: *'We agree with petitioners that the "in lieu" clause is not applicable here, as the profits have been proved and the only question is as to their apportionment.'* (Emphasis added.)

"But when the plaintiff has suffered no damages, and the profits are ascertainable, to resort to the

'in lieu' clause and award to the plaintiff a minimum based upon her theory of three publications,—*the printing of the five hundred labels and the two advertisements*—would amount to the imposition of a penalty. And the 'in lieu' provision has been declared by the cases *not to be such*, but rather, the equitable substitute for cases which present difficulty or impossibility of proof as to damages and profits. *Douglas v. Cunningham*, *supra*, 294 U. S. at pages 209-210, 55 S. Ct. 365, 79 L. Ed. 862. Where no such difficulty exists, where, on the contrary, exact proof of profits has been made, and no other damage is shown to have flown from the violation, there is no need for resorting to the 'in lieu' provision."

As shown in the statement of facts, not only were defendant's profits proved with certainty, but plaintiff failed to prove any actual damages or that it was difficult or impossible to prove such damages. No such difficulty or impossibility existed in fact because plaintiff's damages, if any, were readily susceptible of proof. Plaintiff, however, relied solely on statutory damages and took the position throughout that it, on its own election, had the right to statutory damages in place of and irrespective of actual damages or profits.

The District Judge, moreover, was under a misapprehension as to the appropriate rule of damage to be applied in such a case as this. It was his erroneous position that once infringement of copyright was proved, all he had to do was to apply the statutory measure or yardstick of statutory damages which he regarded as "fixed" (R. 77, 111, 113-4, 119-21, 248); and plaintiff's counsel acquiesced in that position (R. 111, 114, 121, 248). It is also apparent from said cited references to the Record that the District Judge was under a further erroneous impression that he was *required* to assess statutory dam-

ages for infringement of copyright at \$10 for each copy up to \$5,000. Actually, under the statute, the \$10 figure is purely discretionary. (See *Westermann Co. v. Dispatch Printing Co.*, 249 U. S. 100, 105, *supra*; *Turner & Dahnken v. Crowley*, 9 Cir., 252 F. 749, 754 (1918); cf. *Douglas v. Cunningham*, 294 U. S. 207, 210, *supra*; *Amdur*, "Copyright Law and Practice," p. 1133 *et seq.*)

While plaintiff's counsel conceded and the District Court recognized that defendant was "in the innocent position of a bystander" (R. 76), nevertheless, that Court made an award of statutory damages and attorney's fee which amounted to the imposition of a penalty. Such awards could have been no more punitive if defendant had been a deliberate infringer, after notice (cf. R. 34).

Despite that state of the Record, the Court of Appeals stated that the District Court, on adequate evidence, categorically found that the plaintiff had suffered damage from the alleged infringement (R. 278). Actually, the District Court made no such finding. The District Court stated merely, that "the plaintiff *offered* testimony" that the sale of its dog statuette was harmed by the sale of the Woolworth dog (R. 24) and then restated, practically verbatim, the *offers* of evidence as made by plaintiff's counsel, which offers were rejected (R. 113-119, 244-6, 248), and the assertions in his opening statement (R. 32). *No such testimony was actually received.*

The Court of Appeals thus assumed that the plaintiff sustained actual damages and that while defendant's profits in the amount of \$899.16 were proved within the requirements of the statute, nevertheless, plaintiff in addition to these profits was entitled to statutory damages. The rationale for this novel method of calculation appears to have been the Court of Appeals' erroneous conclusion that in a copyright action, once infringement is established, a plaintiff is entitled to *both* his own actual dam-

ages and defendant's profits. It also placed a new and unwarranted interpretation on the case of *Douglas v. Cunningham, supra*, by citing that case as authority for the proposition that statutory damages are recoverable when "it is difficult or impossible for a plaintiff to prove the actual amount of *either* damages or profits with the certainty required by law" (R. 279) (*italics supplied*).

Actually, this Court has already stated that the proprietor of a copyright, like the holder of a patent, is entitled to actual damages *or* actual profits, whichever is greater. In *Sheldon v. Metro-Goldwyn Pictures Corp., supra*, this Court examined the intent of Congress in enacting in 1909 the section in the Copyright Act providing for damages, which section, for the first time, gave statutory sanction for the recovery of profits. In 309 U. S. at page 400, the Court said:

"In passing the Copyright Act, the apparent intention of Congress was to assimilate the remedy with respect to the recovery of profits to that already recognized in patent cases. Not only is there no suggestion that Congress intended that the award of profits should be governed by a different principle in copyright cases but the contrary is clearly indicated by the committee reports on the bill. As to §25(b) the House Committee said:

"Section 25 deals with the matter of civil remedies for infringement of a copyright * * *. The provision that the copyright proprietor may have such damages as well as the profits which the infringer shall have made is substantially the same provision found in section 4921 of the Revised Statutes relating to remedies for the infringement of patents. The courts have usually construed that to mean that the owner of the patent might have one or the other, whichever was the greater. As such a provision was found both in the trade-mark and patent laws the committee felt that it might be properly included in the copyright laws'."

The issue of whether a successful plaintiff in a copyright case was entitled to both profits and damages was squarely met in *Universal Pictures Co. v. Harold Lloyd Corporation*, 162 F. (2d) 354, 375-6, *supra*. Therein an award of \$40,000 actual damages had been made and when defendant appealed and denied infringement, plaintiff cross-appealed on the question of damages and sought, in addition to plaintiff's damages, defendant's profits. The Court in refusing to grant profits, in addition to damages, relied on the *Sheldon* case, *supra*, referred to the intent of Congress as expressed in the Committee report quoted above and stated that the intention of Congress was to award a copyright proprietor *either* actual damages *or* defendant's actual profits, whichever was the larger.

When the Senate and House Bills revising the Copyright Act were before the Joint Committee, this section of the statute was criticized since it appeared to permit a double remedy in allowing the recovery of both profits and damages. As the Committee report (quoted in the *Sheldon* case above) points out, a similar statute in the Patent Act has been construed by the Courts not to allow such a double recovery. All of this was brought out in the Committee hearings and presumably was influential in the passage of the Act containing the present language as to profits and damages (see pp. 174-5, 408 of "Arguments before Committee on Patents of the Senate and House of Representatives, Conjointed, on the bills S. 6330 and H.R. 19853, Dec. 7, 8, 10, 11, 1906").

Since a copyright proprietor is not entitled to both profits and damages, but only one or the other, obviously the Court of Appeals was unjustified in awarding profits plus statutory damages. Even if the Court of Appeals had any evidential basis for assuming that plaintiff had suffered some damages, it certainly had no evidential basis for assuming that such damages exceeded the amount of defendant's profits.

There is no authority either in the statute or in any court decision for a court's exercising its discretion under the facts of this case. The statute precludes the exercise of discretion whenever actual damages or profits are proved. Discretion, which is not reviewable, comes into play only when neither profits nor damages have been proved, in which event, the court has discretion in making an award within the \$250-\$5,000 statutory limitations (*Westermann v. Dispatch Printing Co.*, *supra*; *Jewell-Lasalle Realty Co. v. Buck*, *supra*; *Douglas v. Cunningham*, *supra*).

The Court of Appeals attempted, in an effort to justify its decision (R. 276-7), to distinguish the cases cited by petitioner (the language from which that Court admits lends support to petitioner's argument that proof of actual profits precludes the assessment of statutory damages under the "in lieu" clause). The substance of that attempted distinction is that in the present case alone there is a "live" issue of plaintiff's damages (R. 277).

However, the only case that that Court specifically attempted to distinguish was its own earlier decision in *Sammons v. Colonial Press*, *supra*. As to that case, the Court said (R. 277-78):

"It is made clearly to appear that there was no issue of the plaintiff's damages, the only recovery sought or the only recovery available, on the evidence being the infringer's profits," but "the case at bar differs radically from those upon which the appellant relies in that here we have a live issue of damages."

Actually, in the *Sammons* case the Court (pp. 344-5) merely said that because of the difficulty of proof, the plaintiff did not attempt to prove damages which would have been measured by the "profits which the plaintiffs

would have made upon additional sales of its copyrighted book, had not the infringing book been competing in the market." The Court did not say that the plaintiff had not suffered actual damages; (and, in fact stated that normally a copyright proprietor is "presumed to have suffered from the infringement" (p. 345),) but only that therein there was no evidence of actual damages. Likewise, in the present case, there was no evidence of actual damages. Nor can the two cases be distinguished, as the Court suggests (R. 277-8), because the plaintiff herein "in its complaint specifically demanded, in addition to an injunction, attorney's fees and costs, both damages and profits in such amount 'as to the court shall appear proper * * *'". In the *Sammons* case, *supra*, plaintiff likewise in its complaint sought statutory damages in addition to an injunction.

What the Court of Appeals has really done herein is to depart from its decision in the *Sammons* case, wherein it followed the *Davilla* decision and has thus brought itself in conflict with that decision of the Second Circuit.

It is clear from the foregoing, we respectfully submit, that both Courts below have misconstrued and misapplied Section 101(b) of the Copyright Act and that their decisions are in conflict with the decisions of this Court and of Courts of Appeals in other Circuits.

POINT II

The "in lieu" clause of Section 101(b) of the Copyright Act is not intended as a penalty, but has been so applied herein.

The award of maximum statutory damages against defendant, under the circumstances of this case, clearly amounted to the imposition of a penalty.

Although it was conceded that defendant was in the "innocent position of a bystander" and was not a deliberate infringer, had no knowledge before notice of plaintiff's copyright and ceased dealing in the accused article promptly upon receiving such notice or even prior thereto; and although defendant's total gross profits from the sale of the alleged infringing article were only \$899.16; and although there was no proof of actual damages to the plaintiff, either in an amount exceeding the amount of such profits or in any amount whatever; nevertheless, the District Court "in its discretion" made an award of statutory damages against the defendant in the maximum amount of \$5,000 with an attorney's fee of \$2,000 and the Court of Appeals has, by a novel calculation and theory, upheld that award, with an additional attorney's fee of \$500.

There is, in the circumstances of this case, no rational basis for either the award or its affirmance, or for such allowances for counsel fees. Section 101(b) of the Copyright Act specifically provides, in respect of statutory damages, that such damages "shall not be regarded as a penalty". It has been stated repeatedly and in numerous cases that the "in lieu" clause is not intended as a penalty and that damages are not to be awarded as based upon the idea of punishment. (See, for instance, the following cases: *Sheldon v. Metro-Goldwyn Corp.*, *supra*, at page 399; *Douglas v. Cunningham*, *supra*, at page 209; *Westermann Co. v. Dispatch Printing Co.*, *supra*, at pages 107-9; *Davilla v. Brunswick-Balke Collender Co.*, *supra*, at page 570; *Turner & Dahnken v. Crowley*, 9 Cir., 252 F. 749, 754 (1918).)

The District Court Judge seems to have had the erroneous impression that the statutory damage provision was predicated upon the theory that such damages are punitive and plaintiff's counsel concurred in this erroneous view (R. 34).

The only plausible explanation of this award of statutory damages in the maximum amount against defendant appears to be found in the hostility manifested against defendant throughout the suit by the District Judge.¹ This may well have been caused or furthered by the wholly unwarranted invectives directed at defendant by plaintiff's counsel.

The Court of Appeals overlooked said remarks of plaintiff's counsel as being prompted by "excess of zeal in a hotly contested trial". It recognized that certain of the remarks of the trial judge in the course of the proceeding were "both unseemly and uncalled for" and "would better have been left unsaid, and are better not quoted" (R. 279-80). In these expressions, in and of themselves, the Court of Appeal found no reversible error (R. 280) and that point is not before this Court. But that is quite apart from the question of whether such expressions are indicative of the punitive nature of the award.

¹ For example, see Record, at p. 11 and also at pp. 125, 127, 130, 138-43, 148, 150-1, 155, 158, 160, 163-4, 175, 181, 189-202, 208-12, 232, 237-8; also, note how the trial judge opened the door wide for plaintiff for rebuttal with assurances to defendant's counsel that he would be given the "same latitude" and would "not be foreclosed if he had any other evidence" (R. 181-2) and how later, the trial judge excluded defendant's most important rebuttal evidence regarding the authenticity and date of its grey plaster model (R. 229, *et seq.*).

² For example, see Record, pp. 33-5 and 75.

CONCLUSION

The judgment of the Court of Appeals for the First Circuit should be reversed, with costs and disbursements to defendant, and the judgment of the District Court for the District of Massachusetts should be modified, with costs and disbursements to defendant, so as to limit plaintiff's recovery to the amount of defendant's profits, without counsel fee.

Respectfully submitted,

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